

CITY OF COLUMBIANA, ALABAMA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

CITY OF COLUMBIANA, ALABAMA

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CITY OF COLUMBIANA, ALABAMA

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DeLOACH, BARBER & CASPERS, P.C.

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INDEPENDENT AUDITOR'S REPORT

Stancil Handley, Mayor
Members of the City Council
City of Columbiana, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbiana, Alabama, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbiana, Alabama, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary information and select pension plan disclosures on pages 58-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Columbiana, Alabama's basic financial statements. The combining nonmajor fund financial statements (pages 62-65) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the basic audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DeLoach, Barber & Caspers, P. C.

May 11, 2018

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
ASSETS				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,789,421	\$ 1,594,768	\$ 3,384,189	\$ 3,870,160
Accounts receivable - taxes	524,566		524,566	
Accounts receivable - customers, net of allowance	62,180	100,764	162,944	208,425
Accounts receivable - fines, net of allowance	122,872		122,872	
Accounts receivable - grants	44,804		44,804	
Accounts receivable - other	150		150	77,274
Interest receivable	10,344		10,344	543
Interfund receivables		156,424	156,424	22,191
Inventory		11,984	11,984	69,337
Prepaid expenses	74,198	4,095	78,293	19,374
<u>Restricted Assets</u>				
Cash	772,222	16,952	789,174	316,993
Investments	3,257,300		3,257,300	
<u>Non-current Assets</u>				
Land and construction in progress	2,531,632		2,531,632	782,178
Other capital assets, net of accumulated depreciation	5,182,440	2,516,940	7,699,380	5,923,786
Total Assets	14,372,129	4,401,927	18,774,056	11,290,261
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	165,757	16,589	182,346	376,329
Total Assets and Deferred Outflows of Resources	14,537,886	4,418,516	18,956,402	11,666,590
LIABILITIES				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	109,994	26,727	136,721	76,093
Payroll taxes payable	2,705		2,705	523
Utility tax payable			0	5,670
Accrued wages	57,513	4,250	61,763	18,755
Interest payable			0	424
Interfund payables	172,615	6,000	178,615	
<u>Current Liabilities (payable from restricted assets)</u>				
Meter deposits		16,950	16,950	274,248
<u>Long-term Liabilities</u>				
Net pension obligation	218,472	22,501	240,973	1,414,406
Warrants and bonds payable - portion due in one year	166,921		166,921	283,787
Warrants and bonds payable - portion due in more than one year	2,708,024		2,708,024	1,591,299
Accounts payable - state/county portion of court fines	43,005		43,005	
Accrued compensated absences	24,280	3,802	28,082	48,696
Total Liabilities	3,503,529	80,230	3,583,759	3,713,901
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	302,299	31,134	333,433	
Total Liabilities and Deferred Inflows of Resources	3,805,828	111,364	3,917,192	3,713,901
NET POSITION				
<u>Net Position</u>				
Investment in capital assets, net of related debt	4,839,127	2,516,940	7,356,067	4,830,878
Restricted for:				
Capital Projects	334,913		334,913	
Debt service	62,421		62,421	
Meter deposits			0	42,745
Public Services	3,536,800		3,536,800	
Unrestricted	1,958,797	1,790,212	3,749,009	3,079,066
Total Net Position	\$ 10,732,058	\$ 4,307,152	\$ 15,039,210	\$ 7,952,689

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Expenses	Program Revenues			Net (Expenses) Revenues
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities</u>					
Beautification	\$ 7,878	\$	\$	\$	(7,878)
Bond issuance costs and fees	30,000				(30,000)
Cemetery	25,966	11,000	100		(14,866)
Court	212,563	159,033			(53,530)
Donations and events	64,936				(64,936)
Fire and rescue	243,754	9,671			(234,083)
General government	573,916	618,183	28,504	72,000	144,771
Interest on long-term debt	119,935				(119,935)
Library	235,263	9,265	5,954		(220,044)
Liberty day celebration	34,833	9,787	24,750		(296)
Park and recreation	207,081	6,460	8,518		(192,103)
Police	910,079				(910,079)
Sanitation	257,687	273,941			16,254
Senior Center	125,382		21,349		(104,033)
Shelby County Arts Council	58,380		60,333		1,953
Special events	4,624				(4,624)
Street	468,686			277,079	(191,607)
Trolley	42,706	961	17,163		(24,582)
Total Governmental Activities	3,623,669	1,098,301	166,671	349,079	(2,009,618)
<u>Business-type Activities</u>					
Sewer	593,196	705,371			112,175
Total Business-type Activities	593,196	705,371	0	0	112,175
Total Primary Government	\$ 4,216,865	\$ 1,803,672	\$ 166,671	\$ 349,079	\$ (1,897,443)
<u>Component Units</u>					
City of Columbiana Water Board	\$ 1,807,781	\$ 2,034,003	\$	\$	\$ 226,222
Total Component Units	\$ 1,807,781	\$ 2,034,003	\$ 0	\$ 0	\$ 226,222

The accompanying notes are an integral part of these financial statements.

(Continued)

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Primary Government</u>		<u>Total</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
<u>Net Revenues (Expenses)</u>	<u>\$ (2,009,618)</u>	<u>\$ 112,175</u>	<u>\$ (1,897,443)</u>	<u>\$ 226,222</u>
General revenues:				
Taxes:				
Sales and use tax	2,067,628		2,067,628	
Property taxes	358,077		358,077	
Gasoline taxes	33,697		33,697	
Beer and alcoholic beverage taxes	30,788		30,788	
Tobacco tax	29,625		29,625	
State capital improvement	37,990		37,990	
Motor vehicle taxes	11,400		11,400	
Financial excise tax	61,800		61,800	
Rental and lodging tax	45,318		45,318	
Shares/Privilege tax	12,702		12,702	
State shared gasoline taxes	19,033		19,033	
Other taxes	473		473	
Miscellaneous	15,504	3,283	18,787	
Investment income	118,177	895	119,072	13,640
Net transfers in (out)	(77,258)	77,258	0	
Unrealized holding gain (loss) on investments	(176,929)		(176,929)	
Total general revenues and transfers	<u>2,588,025</u>	<u>81,436</u>	<u>2,669,461</u>	<u>13,640</u>
Change in net position	578,407	193,611	772,018	239,862
Net position at beginning of year	10,153,651	4,113,541	14,267,192	7,712,827
Net position at end of year	<u>\$ 10,732,058</u>	<u>\$ 4,307,152</u>	<u>\$ 15,039,210</u>	<u>\$ 7,952,689</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS						
<u>Assets</u>						
Cash	\$ 1,789,421	\$	\$			\$ 1,789,421
Accounts receivable - taxes	522,826				1,740	524,566
Accounts receivable - customers	62,180					62,180
Accounts receivable - fines				184,704		184,704
Accounts receivable - grants	6,018	38,786				44,804
Accounts receivable - other	150					150
Interest receivable	10,344					10,344
Interfund receivable	4,935	6,000				10,935
Prepaid expenses	72,742			247	1,209	74,198
<u>Restricted Assets</u>						
Cash	30,431	25,493	62,421	94,847	559,030	772,222
Investments	3,257,300					3,257,300
Total Assets	\$ 5,756,347	\$ 70,279	\$ 62,421	\$ 279,798	\$ 561,979	\$ 6,730,824

LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES

<u>Liabilities</u>						
Accounts payable	\$ 38,588	\$ 44,786	\$	\$ 26,448	\$ 172	\$ 109,994
Payroll taxes payable	2,705					2,705
Accrued wages	51,517			2,770	3,226	57,513
Interfund payable	178,616			4,705	229	183,550
Total Liabilities	\$ 271,426	\$ 44,786	\$ 0	\$ 33,923	\$ 3,627	\$ 353,762

The accompanying notes are an integral part of these financial statements.

(Continued)

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2017

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (Continued)						
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - property taxes	\$ 329,038	\$	\$	\$	\$	\$ 329,038
Unavailable revenue - court fines				153,682		153,682
Total deferred inflows of resources	\$ 329,038	\$ 0	\$ 0	\$ 153,682	\$ 0	\$ 482,720
<u>Fund Balances</u>						
Nonspendable:						
Money Market	\$ 30,431					\$ 30,431
Investments	3,257,300					3,257,300
Prepays	72,742			247	1,209	74,198
Restricted for:						
Capital Projects		25,493				25,493
Debt Service			62,421			62,421
Public Service				91,946	557,143	649,089
Unassigned	1,795,410					1,795,410
Total Fund Balances	\$ 5,155,883	\$ 25,493	\$ 62,421	\$ 92,193	\$ 558,352	\$ 5,894,342
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,756,347	\$ 70,279	\$ 62,421	\$ 279,798	\$ 561,979	\$ 6,730,824

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total fund balances for governmental funds \$ 5,894,342

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. 7,714,072

Certain assets are deferred in the fund financial statement because they are not available to pay current-period expenditures, but they are reported as assets in the statement of net position. 420,888

Certain deferred inflows and outflows are not recognized in the fund balance sheet, but they are recognized in the statement of net position. (136,542)

Certain liabilities (such as warrants payable, notes payable, and compensated absences) are not reported in this fund financial statement because they are not due and payable, but they are presented as liabilities in the statement of net position. (3,160,702)

Net position of governmental activities \$ 10,732,058

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<u>Revenues</u>						
Donations	\$ 41,570	\$	\$	\$	2,935	\$ 44,505
Fines and charges	840			184,903	9,265	195,008
Fire department income	9,671					9,671
Grant income	58,713	77,258			3,119	139,090
Investment income	117,530	30	323	27	266	118,176
Licenses, permits, & franchise fees	617,343					617,343
Lot sales and openings/closings					11,000	11,000
Miscellaneous	25,121				1,131	26,252
Park and recreation	6,460					6,460
Reimbursement from Shelby County Arts Council	60,333					60,333
Sanitation services	273,941					273,941
Tax revenue	2,635,086				57,023	2,692,109
Total Revenues	3,846,608	77,288	323	184,930	84,739	4,193,888
<u>Expenditures</u>						
Beautification	7,112					7,112
Capital expenditures	30,400	752,946			1,563	784,909
Cemetery					4,317	4,317
Court				220,149		220,149
Debt service:						
Principal retirement			3,212,483			3,212,483
Interest			119,935			119,935
Bond issuance costs			30,000			30,000
Donations and liberty day						
Fire and rescue	104,392					104,392
General government	201,663					201,663
Library	557,642	3,200				560,842
Park and recreation	127,809				234,278	234,278
Police	862,135					862,135
Sanitation	229,257					229,257
Senior Center	102,834					102,834

The accompanying notes are an integral part of these financial statements.

(Continued)

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
Shelby County Arts Council	60,462					60,462
Street	325,983					325,983
Trolley	43,212					43,212
Total Expenditures	2,652,901	756,519	3,362,418	220,149	240,158	7,232,145
Excess of revenues over (under) expenditures	1,193,707	(679,231)	(3,362,095)	(35,219)	(155,419)	(3,038,257)
<u>Other Financing Sources (Uses)</u>						
Proceeds from issuance of bonds						
Capital reimbursement		199,821	2,997,429			2,997,429
Unrealized/realized loss on investments	(176,929)					199,821
Operating transfers in		1,104,096	248,263	107,965	223,152	(176,929)
Operating transfers out	(1,078,996)	(614,719)			(67,019)	1,683,476
Total Other Financing Sources (Uses)	(1,255,925)	689,198	3,245,692	107,965	156,133	(1,760,734)
Net change in fund balances	(62,218)	9,967	(116,403)	72,746	714	(95,194)
Fund Balance, Beginning of Year	5,218,101	15,526	178,824	19,447	557,638	5,989,536
Fund Balance, End of Year	\$ 5,155,883	\$ 25,493	\$ 62,421	\$ 92,193	\$ 558,352	\$ 5,894,342

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds \$ (95,194)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of position and depreciated over their estimated economic lives. The amount by which capital outlays of \$784,909 exceeds depreciation of \$435,901. 349,008

Revenues that are not available to pay current obligations are not reported in this fund financial statement but they are presented as revenues in the statement of activities. (9,451)

Generally expenditures recognized in this fund's financial statements are limited to only those that use current financial resources but expenses are recognized in statement of activities when they are incurred. 3,452

Donations of capital assets are not recognized in the fund financial statements because capital assets are not recognized. The donations of capital assets are recognized as revenues in the statement of activities and the asset is depreciated over its useful life in the Statement of Net Position. 72,000

In the statement of activities, pension costs are measured by the amounts earned during the year as actuarially computed. In governmental funds, however, expenditures are measured by the amount of financial resources used. 43,538

Bond proceeds are reported as other financing sources in the statement of revenues, expenditures, and changes in fund balance but are reported as liabilities in the government wide financial statements. (2,997,429)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,212,483

Change in net position of governmental activities \$ 578,407

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

		<u>Enterprise Funds</u>
		<u>Sewer</u>
		<u>Department</u>
ASSETS		
<u>Current Assets</u>		
Cash and cash equivalents	\$	1,594,768
Accounts receivable - customers, net of allowance		100,764
Interfund receivable		156,424
Inventory		11,984
Prepaid expenses		4,095
<u>Restricted Assets</u>		
Cash and cash equivalents - customer deposits		16,952
<u>Non-current Assets</u>		
Other capital assets, net of accumulated depreciation		2,516,940
		<hr/>
Total Assets		4,401,927
		<hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension		16,589
		<hr/>
Total Assets and Deferred Outflows of Resources		4,418,516
		<hr/>
LIABILITIES		
<u>Current Liabilities (payable from current assets)</u>		
Accounts payable		26,727
Accrued wages		4,250
Interfund payables		6,000
<u>Current Liabilities (payable from restricted assets)</u>		
Customer deposits		16,950
<u>Long-term Liabilities</u>		
Accrued compensated absences		3,802
Net pension obligation		22,501
		<hr/>
Total Liabilities		80,230
		<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension		31,134
		<hr/>
Total Liabilities and Deferred Inflows of Resources		111,364
		<hr/>
<u>Net Position</u>		
Investment in capital assets, net of related debt		2,516,940
Unrestricted		1,790,212
		<hr/>
Total Net Position	\$	4,307,152
		<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 705,371
Miscellaneous income	3,283
	<hr/>
Total Revenues	708,654
	<hr/>
<u>Administrative Expenses</u>	
Computer expense	4,212
Dues and subscriptions	646
Legal and accounting	5,218
Office expense	1,083
Payroll processing fee	446
Postage	2,876
Rental - copier	927
Telephone	1,109
Training & travel	1,516
	<hr/>
Total Administrative Expenses	18,033
	<hr/>
<u>Supply and Distribution Expenses</u>	
Bad debt expense	3,201
Depreciation	176,859
Engineering and professional fees	11,208
Fees and services	12,468
Gas and oil	5,184
Insurance - employee health	13,943
Insurance - general	6,789
Insurance - workman's comp.	1,984
Miscellaneous	490
Payroll taxes	7,696

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Supply and Distribution Expenses (Continued)

Pipes, parts, and supplies	10,968
Repairs and maintenance - building	19,692
Repairs and maintenance - equipment	1,795
Repairs and maintenance - system	78,992
Repairs and maintenance - vehicles	3,424
Salaries and wages	108,395
Small tools and equipment	213
State retirement	3,093
Uniforms	2,348
Utilities	83,151
Testing and analysis	23,270

Total Supply and Distribution Expenses 575,163

Total Expenditures 593,196

Operating income 115,458

Nonoperating Revenues (Expenses)

Investment earnings 895

Net Income after Nonoperating Revenues (Expenses) 116,353

Nonoperating Transfers In (Out)

Transfers from capital projects fund 614,719

Transfers to capital projects fund (537,461)

Net Transfers 77,258

Net change in net position 193,611

Net position - beginning of year 4,113,541

Net position - end of year \$ 4,307,152

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Sewer Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 703,760
Payments to employees and related expenses	(136,629)
Payments to suppliers	<u>(290,072)</u>
Net cash provided by operating activities	<u>277,059</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Transfers to capital project fund for capital acquisitions	<u>(537,461)</u>
Net cash used by capital and related financing activities	<u>(537,461)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>895</u>
Net cash provided by investing activities	<u>895</u>
Net decrease in cash and cash equivalents	(259,507)
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>1,871,227</u>
Cash and equivalents, end of year (restricted and nonrestricted)	<u>\$ 1,611,720</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Sewer Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income	\$ <u>115,458</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in allowance for bad debts	3,201
Depreciation	176,859
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(21,844)
Inventory	796
Prepaid expenses	(1,629)
Deferred outflows of resources	(308)
Increase (decrease):	
Accounts payable	(9,827)
Accrued wages	(170)
Accrued compensated absences	700
Customer deposits	16,950
Interfund payable	1,442
Deferred inflows of resources	29,448
Net pension obligation	<u>(34,017)</u>
Total adjustments	<u>161,601</u>
Net cash provided by operating activities	\$ <u>277,059</u>

Reconciliation of Cash Per Statements of Cash Flows
to the Balance Sheet

Current Assets	\$ 1,594,768
Restricted Assets	
Cash-customer deposits	<u>16,952</u>
Total Cash and Equivalents	\$ <u>1,611,720</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

The City of Columbiana, Alabama (the City) was incorporated on August 10, 1853. The City operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, park and recreation, public improvements, planning and zoning, general and administrative, water and sewer services.

Reporting Entity

Generally accepted accounting standards (GAAP) require that the entity include the 1) primary government, 2) organizations for which the primary government is financially accountable and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards (Codification) has been considered and any component units are listed below. The City is not a component unit of any other entity. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization's governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. A potential component unit is considered fiscally dependent if it does not have authority to do all three of the following: 1) determine its own budget without another government having the authority to approve and modify the budget, 2) levy taxes or set rates or charges without approval by another government, and 3) issue bonded debt without approval by another government.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Columbiana, Alabama. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Columbiana, Alabama. There are no separately administered organizations that are controlled by or dependent on the City.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Component units are reported in the City's basic financial statements are shown as follows:

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the City</u>
City of Columbiana Water Board	The Water Board is a public board incorporated under the laws of Alabama and now existing under the provisions of the Enabling Law 11-50-230 et. seq. of the Code of Alabama 1975, as amended. The Board was incorporated pursuant to the authority granted by the governing body of the City of Columbiana, Alabama. Under its certificate of incorporation, the Board has corporate power to acquire and operate the water system and to issue bonds payable from the revenues derived there from for any of its corporate purposes.

Separate financial statements for the Columbiana Water Board can be obtained at the Water Board's office at 50 Water Works Street, Columbiana, Alabama.

Government-wide and Fund Financial Statements

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units if applicable. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in whole or in part by fees charged to external parties.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units (if applicable). Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented if applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or eliminations of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments, if applicable. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major revenue sources susceptible to accrual include: sales and use tax, property taxes, franchise taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

The City does not currently employ an indirect cost allocation system.

Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund - to account for all financial resources of the general government, except those required to be accounted for in another fund. This is the City's primary operating fund.

Court Fund - to account for financial resources of the activities associated with collecting revenues from traffic fines in accordance with the laws of the State of Alabama.

Debt Service Fund - to account for the payment of principal, interest and commission to fiscal agents on the City's general obligation bonds and warrants.

Capital Projects Fund - to account for the construction and acquisition of various capital asset projects.

Proprietary Funds

The City reports the following major proprietary funds:

Sewer Department - accounts for the activities of the City's sewer utilities services.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Fund Types

The City reports the following additional fund types:

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

The City at September 30, 2017 had no internal service funds or agency funds.

Cash and Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Restricted assets are considered to be cash equivalents.

In its 2000 Regular Session, the Alabama State Legislature enacted the Security for Alabama Funds Enhancement (SAFE) Program (Title 41, Chapter 14A, Code of Alabama 1975, as amended) that changes the way all Alabama public deposits are collateralized. Public deposits include the funds of any covered public entity or covered public official placed in deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit, but excluding bonds, notes, money market mutual funds, repurchase agreements, and similar investment instruments. Covered public entities include the state and its political subdivisions. In the past, the bank pledged collateral directly to each public entity. Under SAFE, which required mandatory participation, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss.

At September 30, 2017 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$4,173,363 and the bank balance was \$4,688,809. Of the bank balance \$801,085 was covered by either federal depository insurance or federal savings and loan insurance. Deposits with Alabama financial institutions that are in excess of FDIC insurance are secured under the Security for Alabama Funds Enhancement Act (SAFE Program). Alabama public funds are protected through a collateral pool administered by the Alabama State Treasury. The City had \$3,857,293 of Category 1 deposits covered by the SAFE Program at September 30, 2017 and \$30,431 of Category 3 unsecured and uncollateralized cash, which was deposited into money market accounts.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The City's investments are reported at fair value in accordance with GASB Standards. The City is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Alabama or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Alabama or the United States; (4) certificates of deposits issued by state and national banks domiciled in Alabama that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above. The City's investments consist of certificates of deposits, Federal National Mortgage Association Certificates, Governmental National Mortgage Association Debentures, and Federal Home Loan Mortgage Corporation debentures. These securities are held by Ameriprise Financial as agent for the City.

Inventory

Inventory consists of primarily supplies valued at the lower of cost (first-in, first-out) or market value. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures on acquisition and significant inventories on hand at year-end are reflected as assets.

Prepaid Items

Payments made to vendors for goods or services that will benefit beyond September 30, 2017 are reported as prepaid items. These prepayments are recognized as expenses ratably over the related underlying period.

Restricted Assets

Certain assets of the City have been restricted due to state regulations, debt service obligations, and warrant agreements. These assets consist of cash, investments, and accounts receivable as follows:

Cash - debt service	\$ 62,421
Cash - capital projects	25,493
General fund - Money market - sale of gas department	30,431
General fund - Investments - sale of gas department	3,257,300
Special revenue - Cash - various	<u>653,877</u>
Total Restricted Assets	\$ <u>4,029,522</u>

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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